

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00

XMB-02 OPIC-03 LAB-04 EPG-02 SIL-01 OMB-01 /084 W

-----161149Z 015293 /43

R 160649Z MAY 77

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 1638

INFO AMCONSUL KARACHI

AMCONSUL LAHORE

LIMITED OFFICIAL USE ISLAMABAD 4988

E.O. 11652: N/A

TAGS: EGEN, PK

SUBJECT: NATIONAL ASSEMBLY PASSES PRICE CONTROL LEGISLATION

1. THE NATIONAL ASSEMBLY MAY 13 PASSED A BILL INTRODUCED THE PREVIOUS DAY PROVIDING FOR EXTENSIVE PRICE CONTROLS. ACCORDING TO THE ONLY AVAILABLE PRESS DESCRIPTIONS, THE MEASURE "EMPOWERS THE GOVERNMENT TO TAKE EFFECTIVE STEPS TO ENCOURAGE AND REGULATE PRODUCTION OF GOODS FOR MAINTAINING SUPPLIES OF ESSENTIAL COMMODITIES AT REASONABLE PRICES" AND TO "ENFORCE STRINGENT MEASURES AGAINST PROFITEERING AND HOARDING." THE BILL APPLIES TO AN IMPOSING LIST OF 53 ITEMS IN MORE OR LESS DAILY USE, INCLUDING TEA, MILK, CIGARETTES, SALT, POTATOES, ONIONS, PULSES, FISH, BEEF, MUTTON, EGGS, SPICES, VEGETABLE, CHILLIES, YARN AND CLOTH, SOAP, FOOTWEAR, EXERCISE BOOKS, CYCLES, TRACTORS, FERTILIZER, BRICKS AND CEMENT.

2. DEBATE ON THE BILL WAS MARKED BY MANY STATEMENTS ON THE EVILS OF PRICE INCREASES AND PROFITEERING, THE LIMITED OFFICIAL USE

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DIFFICULTIES OF COPING WITH INTERNATIONALLY-GENERATED INFLATION, AND THE FACT THAT THE OPPOSITION HAD HANDLED THE PRICE ISSUE IN AN IRRESPONSIBLE AND "ANTI-NATIONAL" MANNER DURING THE ELECTION CAMPAIGN. THE EXTENSIVE PRESS REPORT IN THE GOVERNMENT-OWNED PAKISTAN TIMES DOES NOT, HOWEVER, PROVIDE ANY FURTHER DETAILS ON HOW THE PRICE CONTROLS ARE TO OPERATE.

3. IN INTRODUCING PRICE CONTROLS, THE GOVERNMENT IS OBVIOUSLY TRYING TO REMOVE THE INFLATION ISSUE FROM THE OPPOSITION'S ARSENAL. THE REFERENCE IN PRESS REPORTS TO "ENCREASED PRODUCTION" SUGGESTS THAT THE

GOP HOPES TO MITIGATE THE USUAL PROBLEM OF SHORTAGES IN TIMES OF PRICE CONTROL. WE DOUBT THAT EITHER THE CONTROLS OR THE EFFORT TO AVOID SHORTAGES WILL BE SUCCESSFUL, HOWEVER. ADMINISTERING CONTROLS IS A VIRTUALLY IMPOSSIBLE TASK IN PAKISTAN, AND HAS NEVER SUCCEEDED IN NUMEROUS ATTEMPTS IN THE PAST INCLUDING TWICE IN LAST TWO YEARS BY LOCAL ADMINISTRATIVE FIAT. THE PRODUCTION PROBLEMS IN SECTORS WHERE THE GOVERNMENT ALREADY CONTROLS PRICES SUGGEST THAT SHORTAGES ARE LIKELY TO BECOME WORSE, AND BLACK MARKETS MORE WIDE-SPREAD. IN THE CASE OF TEA, EXISTING GOVERNMENT PRICE CONTROLS FORCING THE IMPORTERS TO SELL BELOW THE CURRENT WHOLESALE PRICE HAS ALREADY CAUSED ACUTE SHORTAGES. OUR PRESENT ESTIMATE IS THAT INFLATION HAS INCREASED SOMEWHAT SINCE JANUARY AND WILL BE BETWEEN 10 AND 15 PERCENT FOR FY 77. NEXT YEAR'S LEVEL IS ALMOST CERTAIN TO BE HIGHER THAN THIS YEAR'S WITH RECENT SALARY INCREASES THUS COMPLICATING THE TASK OF CONTROLLING PRICES.

4. POLITICALLY, WE DOUBT THAT THIS MEASURE WILL BE ANY MORE EFFECTIVE. INFLATION HAS LONG SINCE BEEN SUPERSEDED AS A KEY ISSUE IN THE POLITICAL STRUGGLE LIMITED OFFICIAL USE

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PAKISTAN IS FACING.
CONSTABLE

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRICE CONTROLS, CENTRAL LEGISLATURE, LEGISLATIVE BILLS
Control Number: n/a
Copy: SINGLE
Sent Date: 16-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Subject: NATIONAL ASSEMBLY PASSES PRICE CONTROL LEGISLATION
TAGS: EGEN, PK
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vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/3a274693-c288-dd11-92da-001cc4696bcc
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